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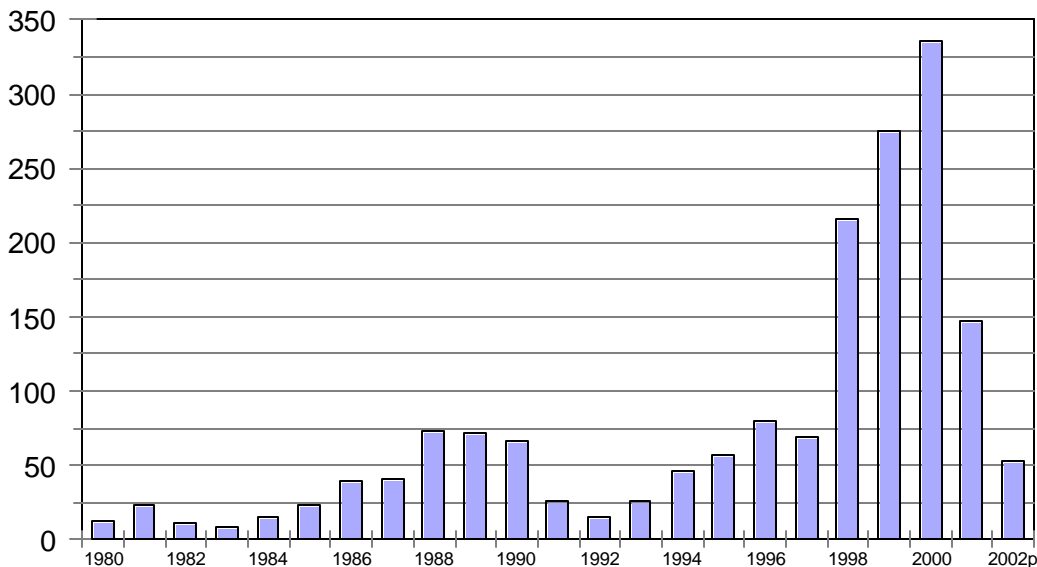
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Foreign Direct Investors' Outlays to Acquire or Establish U.S. Businesses Fell Sharply in 2002 for the Second Year

In 2002, outlays by foreign direct investors to acquire or establish U.S. businesses fell by more than half for the second consecutive year. Total outlays were \$52.6 billion, down 64 percent from \$147.1 billion in 2001 and 84 percent below the record \$335.6 billion in 2000,

Outlays for New Investment in the United States by Foreign Direct Investors, 1980-2002

Billion \$



p Preliminary

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which was the final year of a three-year period of exceptionally high outlays. As a result of these declines, spending for new investments in 2002 was at the lowest level since 1994.

The decline in outlays in 2002 reflected continuing weakness in the U.S. economy and in many foreign economies and a falloff in merger and acquisition activity worldwide. New investment may also have been dampened by uncertainty about the value of potential targets for acquisition and their future earnings prospects, due to declines and volatility in the U.S. stock market and a few highly publicized cases of questionable accounting practices.

Outlays fell in all major industry sectors, particularly in finance and insurance, manufacturing, and information. The decline was especially severe in finance and insurance, which had maintained high levels of outlays in 2001, even as spending declined in other sectors. The decline was also widespread across investing countries. In countries such as Germany, the United Kingdom, the Netherlands, and Japan, which historically have been major sources of investment outlays, weak economic conditions slowed the flow of direct investment into the United States. Among major source countries, only France had an increase in investment outlays.

Outlays in 2002

By industry, outlays were largest in manufacturing (\$17.3 billion) and information (\$14.2 billion). Within the information sector, outlays increased substantially in motion pictures and sound recording, while outlays in broadcasting and telecommunications declined sharply, from \$15.5 billion in 2001 to \$2.4 billion in 2002. Outlays in the finance (except depository institutions) and insurance sector declined to only \$3.2 billion; the decline followed three consecutive years in which investments, driven by acquisitions of U.S. insurance companies, exceeded \$40 billion.

By country of ultimate beneficial owner, France and the United Kingdom had the largest outlays in 2002, together accounting for over half of the total. Outlays by investors from France increased to \$15.6 billion from \$5.8 billion in 2001, while outlays by investors from the United Kingdom fell to \$13.0 billion from \$17.1 billion in 2001. Outlays by investors from many other European countries, including the Netherlands (\$3.2 billion), Switzerland (\$2.8 billion), and Germany (\$2.2 billion), were far lower in 2002 than in 2001. Outlays by investors from Canada fell to \$3.5 billion, from \$16.6 billion. In the Asia and Pacific region, Japan (\$3.4 billion) was the largest source of investment outlays, followed by Australia (\$1.7 billion).

The ultimate beneficial owner is that person, proceeding up a U.S. affiliate's ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person.

The estimates of outlays for 2002 are preliminary. The estimate of total outlays for 2001 has been revised up 11 percent from the preliminary estimate published last year.

Employment of newly acquired or established businesses

Newly acquired or established businesses employed 182,000 people in 2002. Manufacturing, with 74,000 employees, accounted for the largest share of employment. Employment was also substantial in administration, support, and waste management (included in "other industries") and in information.

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Estimates in this report are based upon a Bureau of Economic Analysis survey that covers (1) existing U.S. business enterprises in which foreign investors acquired, either directly or through their U.S. affiliates, at least a 10 percent ownership interest and (2) new U.S. business enterprises established by foreign investors or their U.S. affiliates, also using the 10 percent ownership interest threshold.

Additional details on the new investments by foreign investors in 2002 will appear in the June issue of the Survey of Current Business, the monthly journal of the Bureau of Economic Analysis.

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**Table 1. Investment Outlays
1992-2002**

Year	Outlays (millions of dollars)
1992	15,333
1993	26,229
1994	45,626
1995	57,195
1996	79,929
1997	69,708
1998	215,256
1999	274,956
2000	335,629
2001 r	147,109
2002 p	52,558

p Preliminary.

r Revised.

Source: U.S. Bureau of Economic Analysis

Table 2. Distribution of Investment Outlays by Size, 1992-2002

[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001r	2002p
Total outlays...	100	100	100	100	100	100	100	100	100	100	100
\$5 billion or more...	0	0	0	(D)	0	0	55	55	48	30	(D)
\$2 billion - \$4.999 billion...	0	(D)	27	18	29	12	11	16	20	22	19
\$100 million - \$1.999 billion...	42	51	51	48	55	67	27	24	27	40	45
Less than \$100 million...	58	(D)	22	(D)	16	21	7	5	5	9	(D)

D Suppressed to avoid disclosure of data of individual companies.

p Preliminary.

r Revised.

Source: U.S. Bureau of Economic Analysis

Table 3. Investment Outlays by Industry of U.S. Business Enterprise, 1999-2002

[Millions of dollars]

	1999	2000	2001 ^r	2002 ^p
All industries...	274,956	335,629	147,109	52,558
Manufacturing...	73,122	143,285	37,592	17,259
Food...	859	(D)	(D)	2,278
Beverages and tobacco products...	1,417	3,722	582	4,050
Petroleum and coal products...	158	(D)	(D)	2,043
Chemicals...	5,703	15,016	4,636	1,211
Plastics and rubber products...	3,638	3,154	622	992
Nonmetallic mineral products...	3,175	6,324	425	1,257
Primary metals...	2,542	379	692	564
Fabricated metal products...	1,388	638	758	47
Machinery...	13,941	1,213	(D)	526
Computers and electronic products...	30,601	42,600	10,052	488
Electrical equipment, appliances, and components...	4,247	8,084	(D)	1,013
Transportation equipment...	2,786	3,230	470	668
Other...	2,667	6,529	5,214	2,122
Wholesale trade...	(D)	8,561	3,982	381
Retail trade...	3,458	1,672	1,913	433
Information...	90,855	67,932	27,599	14,235
Publishing industries...	(D)	10,135	9,545	(D)
Motion pictures and sound recording industries...	(D)	(D)	1,179	(D)
Broadcasting and telecommunications...	78,202	(D)	15,529	2,374
Information services and data processing services...	(D)	12,228	1,345	(D)
Depository institutions...	(D)	2,636	5,709	705
Finance (except depository institutions) and insurance...	46,380	44,420	40,780	3,241
Real estate and rental and leasing...	5,206	4,526	3,572	4,573
Professional, scientific, and technical services...	9,366	32,332	7,044	4,424
Other industries...	32,680	30,264	18,917	7,306

D Suppressed to avoid disclosure of data of individual companies.

p Preliminary.

r Revised.

Source: U.S. Bureau of Economic Analysis

Table 4. Investment Outlays by Country of Ultimate Beneficial Owner, 1999-2002¹

[Millions of dollars]

	1999	2000	2001 ^r	2002 ^p
All countries...	274,956	335,629	147,109	52,558
Canada...	9,271	28,346	16,646	3,533
Europe...	196,288	249,167	78,328	39,374
France...	23,750	26,149	5,772	15,566
Germany...	21,514	18,452	12,733	2,194
Netherlands...	22,265	47,686	14,879	3,181
Switzerland...	7,512	22,789	16,468	2,756
United Kingdom...	109,226	110,208	17,095	12,956
Other Europe...	12,021	23,883	11,381	2,721
Latin America and Other Western Hemisphere...	33,046	15,400	15,274	3,021
South and Central America...	1,622	5,334	431	407
Other Western Hemisphere...	31,424	10,066	14,843	2,613
Africa...	(D)	(D)	(D)	565
Middle East...	848	947	(D)	283
Asia and Pacific...	15,100	40,282	11,383	5,352
Australia...	(D)	(D)	4,869	1,654
Japan...	11,696	26,044	5,345	3,429
Other Asia and Pacific...	(D)	(D)	1,169	269
United States²...	(D)	(D)	(D)	430

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p Preliminary.

r Revised.

1. For investments in which more than one investor participated, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

2. The United States is shown as the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are, in turn, ultimately owned by persons located in the United States.

Source: U.S. Bureau of Economic Analysis

Table 5. Selected Operating Data of U.S. Business Enterprises Acquired or Established, by Industry of U.S. Business Enterprise, 2001-200

	2001 ^r					2002 ^p				
	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹
	Total assets	Sales	Net income			Total assets	Sales	Net income		
All industries...	382,308	108,909	951	410.0	103,539	94,839	49,086	-2,548	182.2	105,075
Manufacturing...	55,269	35,986	760	125.4	24,031	22,325	22,666	-3,655	73.6	11,149
Wholesale trade...	6,507	13,129	100	31.9	243	420	1,476	23	1.4	33
Retail trade...	2,407	4,491	16	31.1	507	435	657	4	9.0	32
Information...	42,581	8,758	-863	44.7	142	15,687	6,677	325	25.3	(D)
Depository institutions...	66,645	4,217	309	8.2	101	4,488	290	21	1.0	(D)
Finance (except depository institutions) and insurance...	168,202	22,136	1,854	34.1	(D)	10,959	1,334	143	4.4	3
Real estate and rental and leasing...	4,224	418	38	0.5	(D)	12,747	2,768	180	0.8	8,639
Professional, scientific, and technical services...	15,678	10,485	-497	58.3	(D)	1,141	420	-54	3.0	0
Other industries...	20,795	9,290	-765	75.7	33,017	26,637	12,797	464	63.7	84,071

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^p Preliminary.

^r Revised.

1. One hectare equals 2.471 acres. Thus, for all industries, acres of land owned in 2001 and 2002 were 255,845 and 259,640, respectively.

NOTE. For newly acquired businesses, data cover the most recently completed financial reporting year. For newly established businesses, data are projections for the first full year of operations.

Source: U.S. Bureau of Economic Analysis